

**DEPARTMENT OF WATER RESOURCES
FY 2010/11
SMALL BUSINESS IMPROVEMENT PLAN**



Division of Management Services
Procurement and Contracting Office

I. Summary of Small Business Participation

In Fiscal Year (FY) 2010/2011, Department of Water Resources (DWR) expenditures for construction, personal services, commodities and IT services and goods totaled \$299,841,381. DWR SB participation decreased from the FY 2010/2011 highest-ever 25.9 percent to 21.4 percent. Despite the decrease in participation, DWR spent \$4.5 million dollars more in the SB sector.

DWR is also required to report Infrastructure Bonds expenditures within the SB and DVBE community. Overall the value of contracts issued that included some or all of their funding from Proposition 1E, Disaster Preparedness and Flood Prevention Act and Proposition 84, Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act, was \$18,919,830. Of this total, Prop 1E/Prop 84 Small Business expenditures were \$1,867,674 accounting for 9.9 percent participation. The I-Bond Act of 2006 Improvement Plan is submitted separately as part of our overall report package.

By reporting category, DWR's SB/MB expenditures and participation levels are:

	Total FY Expenditures	SB/MB Expenditures	SB Participation %
Construction	\$ 63,362,230	\$ 12,323,901	19.4%
Personal Services	\$168,872,853	\$ 29,268,124	17.3%
Commodities	\$ 31,947,919	\$ 12,291,693	38.5%
IT Services/Commodities	\$ 34,202,001	\$ 9,611,521	28.0%
CAL CARD	\$ 1,456,378	\$ 649,918	44.6%
1	\$299,841,381	\$ 69,908,988	21.39%

^{1 1} Data Source: SAP (Transaction codes – ZSMDV; ZMMBIDOPT; ZMMREG)

DIVISION OF ENGINEERING – LARGE CONSTRUCTION CONTRACTS

In FY 2010/2011, DWR's Division of Engineering (DOE) issued 23 contracts for a total of \$63,362,230. This represents an increase of 60 percent in the number of DWR contracts awarded over FY 2010/2011. Awarded contracts included nine prime small business contractors and two prime micro-business contractors. Additionally, there were 14 small business subcontractors and 18 micro-business subcontractors involved in the contract awards. All together, 19 of the 23 DOE contracts awarded included small and micro-business prime or subcontractor firms for a total of \$12,323,901. As a result DOE achieved 19.5% percent Small Business participation overall.

PERSONAL SERVICES CONTRACTS

DWR personal services category achieved 17.3 percent Small Business participation outperforming FY 2009/2010's SB participation by over five percent. Total expenditures for Personal Services were \$168,872,853. This is approximately \$17 million more than in FY2009/2010 when DWR awarded \$149 million contract dollars overall. The report for personal service expenditures includes two categories: general personal service contracts Category One (CAT1) and Architecture and Engineering (A&E) service contracts Category Two (CAT2). Overall, SB expenditures totaled \$29,268,124 representing a 65 percent increase in SB expenditures over FY 2009/2010.

CAT1 Small Business Expenditures

CAT1 awarded contracts represent, among others, personal services such as janitorial, trash hauling, landscaping, and training and are processed by our Contract Services Office specialists. CAT1 reportable expenditures totaled \$57,857,052. Of this amount, \$8,932,714 was spent in the SB sector representing 13.5 percent. This is significant given that this reporting category seldom reaches 10 percent SB participation. Of the 170 contracts/amendments issued in FY 2010/2011, 65 were awarded in the SB community or through subcontracted efforts. This represents 38 percent of awarded contracts going to the Small Business community. Seven of the 65 contracts were awarded through the SB Option totaling \$439,999.99.

CAT2 Small Business Expenditures

CAT2 represents DWR Architecture and Engineering Services contract sector. These are contracts awarded out of the DWR's Division of Engineering for specialized engineering and architecture services related to delta restoration and flood prevention.

In FY 2010/2011, CAT2 expenditures totaled \$111,015,801. Because there was no process for determining total of SB participation at the inception of a task-order driven contract, DWR implemented new procedures for capturing SB participation in FY 2007/2008 that are calculated on a task-order basis. In FY 2010/2011 DWR spent \$6.6 million dollars in the SB community through A&E task orders equaling 8.74 percent reflecting a 3 percent increase. It is expected that as tracking efforts are refined, more effective processes will be put in place to capture even greater Small Business participation.

COMMODITIES

DWR buyers excelled once again exceeding Small Business mandates and posting 38.5 percent participation. This reflects a seven-year trend for exceeding SB commodity expenditures for DWR. In FY 2010/11, expenditures were \$31,947,919 and DWR buyers spent \$12,291,693 in the SB sector which exceeded state mandates by 13 percent.

In FY 2010/2011, DWR issued 8,586 purchase orders of which 3,605 (42%) were awarded to small and micro-business firms. Each of DWR's five Field Division and headquarters

purchase groups continue to be strong in their procurement activities with all groups above SB mandates.

INFORMATION TECHNOLOGY (IT) GOODS AND SERVICES

In FY 2010/11, DWR IT buyers spent \$34,202,001 on IT software, hardware, and services. Of this amount \$9,611,521 was spent in the SB sector and represents a participation of 28 percent. In FY 2009/2010, IT had a minor decrease to 24.5 percent SB participation. Current year activities raise the IT procurements above 25 percent participation and reflect achievement of SB mandates in two of the last three reporting years.

II. Explain Why the Participation Goal Was Not Achieved

Commodities

SB participation goals were met.

DWR buyers achieved 38.5 percent SB participation.

Personal Service Contracts

SB participation goals were not met

DWR tracks personal service contracts under two separate categories:

CAT1 – Under CAT1 DWR awarded 170 contracts. Numerous contracts are issued for legal and power consultants. Firms selected specialize in law related to water code and power buying and must have intimate knowledge of the internal workings of DWR and its mission. As a result, opportunities for small business are extremely limited. Additionally, ten percent (17) of the 170 contracts were awarded through the Inter-Con Master Agreement for security services totaling \$3.9 million and another \$12.7 million was contracted with Southern California Edison. Neither entity is a small business and nor are there SB opportunities within the work/services provided.

Wherever possible, DWR includes small business opportunities. DWR issued 7 contracts to certified small businesses using the SB Option process. Of the 170 contracts DWR issued, 38 percent (65) were to small business.

CAT2 – Small Business participation in CAT2, A & E contracts, remain a challenge for DWR. These are very specialized consulting services issued through the A&E Request for Qualification (RFQ) process. Currently, contracts issued under Government Code 4525 makes no provision for the evaluation of an SB component within the Request for Qualification process. However, this past year, DWR strengthened our SB language to raise awareness of DWR's needs and requirements to meet SB mandates and continues proactive outreach to prime firms. This effort results in heightened awareness on the part of prime contractors and many include numerous small businesses as team members. DWR was very happy to have made an award to a certified small business firm for \$13 million dollars.

Additionally, California's continuing economic stress impacted the success of some these contracting partnerships because a number of Small Businesses requested to be dropped from teams due to delays and payment issues.

Totaled together, CAT1 and CAT2 achieved a respectable 17.3 percent small business participation.

Construction Services - Division of Engineering (DOE) – State Contract Act Contracts
SB participation goals were not met

DOE awarded 23 contracts in FY 2010/2011. Of the contracts awarded, 47 percent (11) were to certified small and micro business firms. DWR utilizes small businesses and provides opportunity within each solicitation advertised. Firms must be both responsible and qualify financially to be part of the DWR DOE construction bidding community. Use of the SB Option for DWR State Water Project contracts is generally not feasible because DOE contracts nearly always exceed option thresholds. However, one contract awarded for less than \$250,000 was awarded to a certified micro-business. Of the remaining 12 non-SB firms, seven of these firms included 12 SB/MB firms on their teams.

Construction services achieved 19.4 percent small business.

IT Goods/Services

SB participation goals were met.

IT Goods/Services buyers achieved 28 percent small business participation.

III. Plan to Enhance Contracting Opportunities for Small Business

A. Policy

1. The Advocate will review existing contract practices relative to SB to determine where policy development may strengthen DWR's program activities and make recommendations as appropriate.
2. In the coming year, the advocate will work with A&E contract staff to develop and propose new policy that incorporates RFQ template language that requires prime firms to discuss during the interview phase their efforts to support DWR achieve SB mandates.
3. The Advocate, working alongside DWR's Procurement and Contracting Officer (PCO), Contract Services Chief and the Purchasing Services Office Chief will implement and broadly disseminate any new SB policy and practices.

B. Collaborative Efforts

The Advocate:

1. Met annually with numerous awarded prime firms to discuss SB program mandates, how to achieve subcontracting activities and thereby increase SB participation.
2. Met with numerous awarded prime firms to discuss and implement means to track SB subcontracting opportunities.
3. DWR presented information at the DGS Small Business Council meeting.
4. The Advocate participated at the DGS sponsored Metro Event held at the Sacramento Convention Center and other outreach/informational activities such as Customer Forums and SB/DVBE Workshops.

5. The Advocate has collaborated with DGS and CDVA to assist develop tools and procedures to enhance SB and DVBE participation.

Future Collaborative Activities

1. DWR hired a new Information Technology Contracting/Purchasing Chief in FY 2010/2011. The Advocate will collaborate with the new IT Chief to find ways to refine existing tools and processes to enhance an already successful SB/MB program.
2. The Advocate will continue working with Headquarters (HQ) and field division buyers to identify additional/new SB/MB firms to boost participation even higher in the commodity category to help off-set short falls in the services sector.
3. The Advocate will collaborate further with HQ and field division contract coordinators to identify new services and develop SB/MB firm lists to streamline the SB/DVBE Bid Option effort.
4. Collaborate with DWR's Purchasing Services Office Chief and the PCO for the annual buyers meeting where achievement awards for departmental field divisions are issued to recognize excellence in SB/MB participation.
5. Collaborate with DOE subject matter experts responsible for issuing RFQ solicitations to develop evaluation criteria elements based on SB participation.
6. The Advocate will continue working with A&E prime firms to increase SB partnerships and bolster participation levels for these contracts.
7. The Advocate will continue collaborating with other advocates to determine best practices for possible DWR refinement and implementation.

C. Contracting Practices

1. Whenever possible, the Advocate attends pre-bid conferences to discuss SB/MB program opportunities related to that solicitation.
2. The Advocate meets with program staff prior to development of solicitation documents to determine SB/MB Bid Option opportunities.
3. The Advocate updated SB program language contained within DWR's A&E RFQ solicitation templates to promote partnerships.
4. The Advocate collaborates with local and regional buyer and contract coordinators to review various scopes of work for an IFB/RFP or RFQ to predetermine SB subcontracting opportunities.
5. The Advocate meets one-on-one with certified SBs seeking opportunities to do business with DWR and advocates their services or commodities to the appropriate DWR buyer or contract staff.
6. Within A&E contracting efforts, the Advocate develops and disseminates a list of potential SB/MB partnership firms with professional disciplines related to the contract for the prime's consideration. This list is sent to prime firms responding to DWR RFQ solicitations.

7. The Advocate schedules meetings with both program managers and firms awarded A&E contracts to discuss SB/MB program opportunities within a contracts' scope of services and makes recommendations to firms for potential partnerships.

IV. Planning and Advocacy

The Advocate works continuously with program staff to assist them to find ways to include SB firms as primes and/or subcontractors in solicitations. This includes one-on-one training, attending pre-bid conferences, and meeting directly with SB contractors to assist them in finding ways to do business with DWR.

In FY 2010/2011, the Advocate plans to:

1. Work with program staff to further identify service contracts that lend themselves to the SB/DVBE Bid Option, and provide SB/DVBE certified bidder's lists for staff to use with those contracting efforts under Government Code 14838.5.
2. Visit DWR field divisions to meet and conduct training for contracting and buying staff to help them enhance SB program opportunities.
3. Continue attending DGS SB/MB sponsored outreach events to increase DWR's visibility and networking opportunities.
4. Monitor SB participation by division on a monthly basis and notify the respective divisions/programs of their participation levels.
5. Report monthly SB/MB participation achieved to mid and upper management staff.
6. Share SB program accomplishments with DWR buyers and contract coordinators to encourage "friendly" competition between purchasing groups.
7. Continue with awards for acknowledging a division's accomplishments in DVBE participation achievements for procurement staff.
8. Develop a quarterly report card to be broadcast throughout DWR to managers and procurement staff to keep them apprised of DWR's SB/MB goals and accomplishments.
9. Meet with program managers, prime firms and SBs to outreach for potential partnerships in response to DWR's RFQ process.

V. Monitor and Continuously Improve

The Advocate does the following and makes program modifications, corrections, or improvements as necessary:

1. Monitors all procurement transactions through DWR's enterprise resource planning system (SAP) to ensure it captures and reports accurately on all goods and services acquisitions and SB/DVBE awards.
2. Monitors DWR's Contract Information Tracking System to ensure it captures all SB awards for personal services.
3. Monitors SB participation levels each month for all reporting categories and reports these statistics to upper management.

4. Meets with procurement staff to assist them to identify ways to improve their SB program participation performance levels.
5. Monitor/track A&E SB participation; reporting to individual firms their respective levels of participation.